

An overview of The Defense Logistics

Agency



**DoD's ONLY Logistics
Combat Support
Agency . . . Supporting
the Military Services &
Combatant
Commanders for Over
40 Years**



The DLA Enterprise

FY01 Sales/Services:

\$17B

FY02 Sales/Services: \$21.5B

FY03 Sales/Services:

\$25B

FY04 Sales/Services:

\$28B

FY05 Sales/Services:

\$31.8B

FY06 Projection: \$34.3B

- **Distribution:**
\$2.5B

- **Other:**
\$1.0B

- ~95% of Services' repair parts

Foreign Military Sales

- Subsistence, fuels, medical, clothing & textile
- Shipments: 501K
- Construction & barrier material
- Supporting 124 Nations

Scope of Business

- 54,000 Requisitions/Day
- 8,200 Contracts/Day
- #54 Fortune 500 - Above Walt Disney
- #2 in Top 50 Distribution Warehouses
- 26 Distribution Depots
- 5.2 Million Items - eight supply chains
- 24.7M Annual Receipts and Issues
- 1411 Weapon Systems Supported
- 132.8M Barrels Fuel Sold (FY 05)
- \$14.6B Annual Reutilizations/Disposals

People

- 21,039 Civilians
- 523 Active Duty Military
- 668 Reserve Military
- Located in 48 States/28 Countries



Top Five Priorities

- **Mission -**

- *Support to the Warfighter*
- *Distribution Process Owner*

- **Transformation -**

- *Enhanced Capabilities for the Future Warfighter*

- **People -**

- *Transforming Our Human Capital and the Workplace*

- **Alignment -**

- *To Warfighters...To Supply Chains*

- **One Enterprise -**

- *Seamless Partnering for Warfighter Logistics Support*



Defense Logistics Agency

CORPORATE STAFF

DIRECTOR



VICE DIRECTOR



COMMAND SERGEANT MAJOR



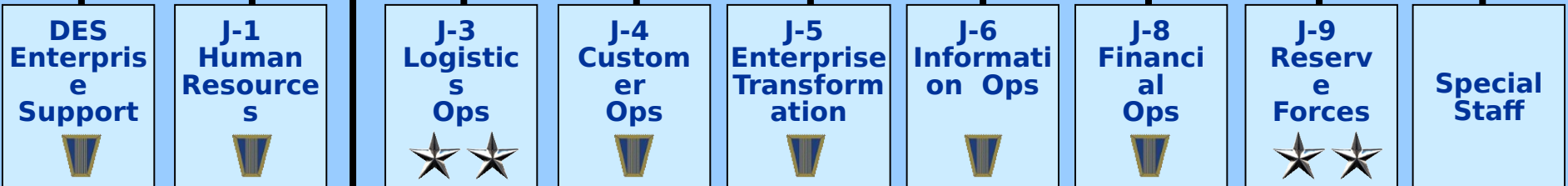
DLA Director
Vice Admiral
Keith W. Lippert
Supply Corps,
United States Navy



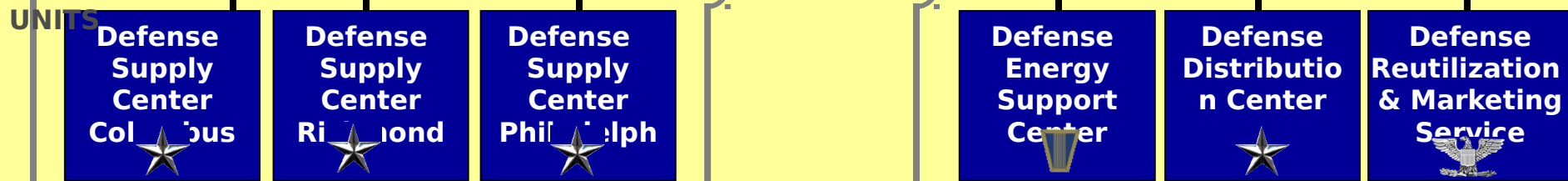
Vice Director
Major General
Loren Reno
United States
Air Force



CSM
Command
Sergeant
Major
David Roman
United States
Army



BUSINESS UNITS



SERVICE ACTIVITIES





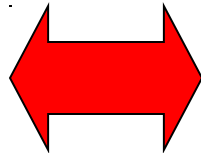
Business Units

Defense Supply Center

Columbus

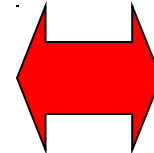
Land/Maritime Supply Chains

**Custome
rs**
**Major
Commands**
**Maintenan
ce
Activities**
**Internation
al
Customers**



LAND
- Wheeled
Vehicles
- Tracked
Vehicles
- Diesel Engines
- Transmissions
- Vehicle
Chassis
- Batteries
- Nuts and Bolts

MARITIME
- Turbines
- Brackets
- Valves & Pumps
- Engine Fuel
Systems
- Compressors
- Fiber Optics
- Gyro
Components
- Bearings
- Gaskets, O-rings,
Seals



**Supplier
s**
OEM
**Competiti
ve
Sources**

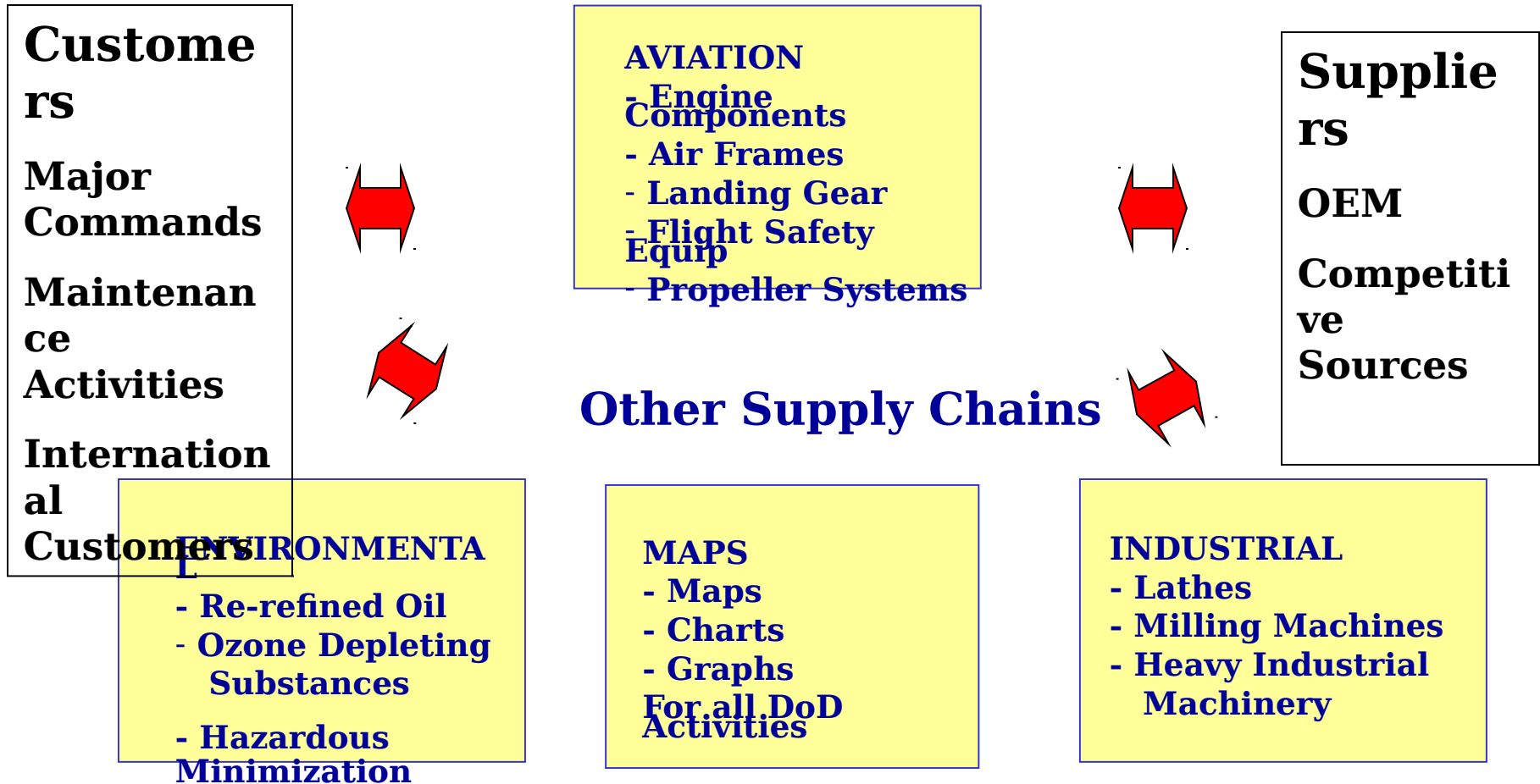


Business Units

Defense Supply Center

Richmond

Aviation Supply Chain





Business Units

Defense Supply Center

Philadelphia

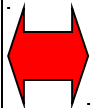
Troop Support Lead Center

Customers

Major Command

Maintenance Activities

International Customers



CLOTHING & TEXTILES

- Combat uniforms/tents
- Body armor/field equipment
- Individual chem/bio protective suit

MEDICAL

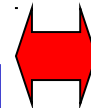
- Diagnostic Imaging Equip
- MRI Equipment
- Surgical & Dental Supplies
- Pharmaceuticals
- Optical Products
- Laboratory Items

SUBSISTENCE

- Operational Rations (incl. Meal, Ready-to-Eat and Unitized Group Rations)
- Food Service & Field

CONSTRUCTION & EQUIPMENT

- Facilities Maintenance
- Equipment (HEPP, Diving, Safety & Rescue, MHE)
- Fire & Emergency Services
- Wood Products
- Metals
- Barrier Material



Suppliers

OEM

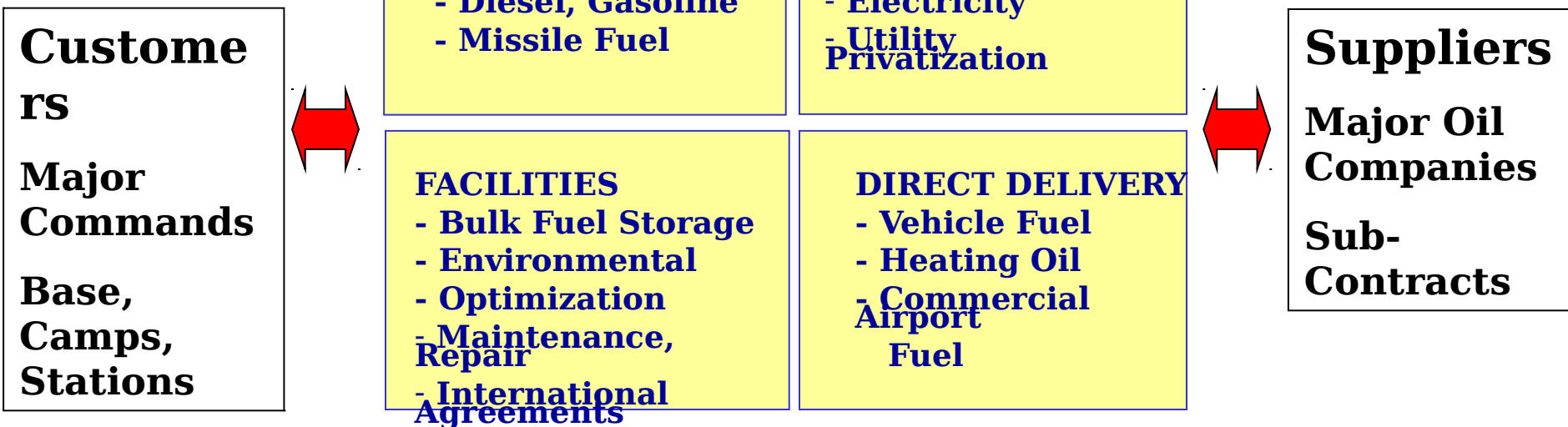
Competitive Sources



Business Units

Defense Energy Support Center

Energy Lead Center





Business Units

Defense Distribution Center

Distribution Lead Center

Customers
Military Services
Inventory Control Points



Service Providers
SDDC
AMC
MSC
A-76
Commercial Providers
Commercial Transportation Providers



Business Units

Defense Reutilization and Marketing Service

Reuse, Recycling and Disposal Lead Center

Customers

- Military Services
- DLA Inventory Control Points
- Federal / Public Agencies



Organizational Structure

92 Offices Worldwide
(14 Countries/39 States)
1281 Personnel
12 Military
207 Local Nationals
160 Reserve DRT

Members

Services

7115 Positions

Qualified Reutilization Transfer

\$316.8M Operating Costs

Donation

Demilitarization

Environmental Disposal/Reuse

Ammunition/Explosives and other

Dangerous Articles (AEDA)

Humanitarian Assistance

Foreign Military Sales/Grant-in-Aid

At-A-Glance (FY04)

42,000 Turn-In Customers Served

\$13.0B Usable Turned-In (Acq Val)

\$ 1.2B R/T/D (Acq Val)

\$345.6M Scrap/Usable Sales Revenue

Contingency Operations

Operation Joint Guardian/Forge
Mar 96 - Present
92 Mil/Civ Deployed

Operation Enduring Freedom
Dec 01 - Present
15 Mil/Civ Deployed

Operation Iraqi Freedom



Service Providers

- A-76 Commercial Providers
- Government Liquidity



Service Activities

Defense National Stockpile Center

20 Sites
144 Personnel
\$5.9 B Sales Since FY 93
\$1.5 B Inventory

Manages 42 Internationally Traded Commodities

Defense Logistics Information Service

One Site
1,022 Personnel
\$135 M Budget

Services:

U.S. & NATO Cataloging; J6B Enterprise IT Support; Projects & System Development: FLIS, MEDALS, FEDLOG, DOD EMALL, DLA Map Catalog, ITAV/AV, CCR/BPNse, HMIRS,

ERLS, ERP Spt, Web, Contact Ctr, Data Quality, UID Registry...

Document Automation & Production Service

181 Locations in 15 Countries
1100 Gov't & Contract Personnel
\$410M Annual Sales (FY05 Plan)

Services:

Document Production
Electronic Document Conversion and

Management

Equipment Management Solutions



Service Activities

Defense Logistics Agency - Europe

12 Offices

45 Personnel

- Liaison/planner at EUCOM
- Planners at USAFE, USAREUR and NAVEUR
- Customer reps at 10 sites - Germany, UK, Italy
- Area reps in Bosnia and Kosovo
- On-site, deployable logistics experts assist

Defense Logistics Agency and Central

service locations (CONUS, Kuwait, Bahrain, Qatar, Offsets at PACOM, USFK and

- Provide EUCOM components and
- 3 Contingency support teams (Afghanistan, Iraq, Kuwait) staffed by 60-90

personnel (mission dependent)

- single POC for DLA support

/contractors in Southwest Asia (e.g., Kuwait distribution depot, Kuwait DRMO yard, Bahrain fuels office, Subsistence Prime Vendors, MRO Prime Vendors)

- Liaison/planner at CENTCOM
- Customer Support Representatives with ARCENT-K/Q, CENTAF (FWD) and NAVCENT-B

Defense Logistics Agency - Pacific

9 Sites located in two states and 2 countries

- Hawaii, Alaska, Japan, Okinawa, Korea

26 Personnel

AOR Covers 52% of Earth's Surface

- contains the World's 6th Largest Armed Forces

Provide Contingency & Deliberate

Planning and on-site Customer Support



Warfighter Engagement

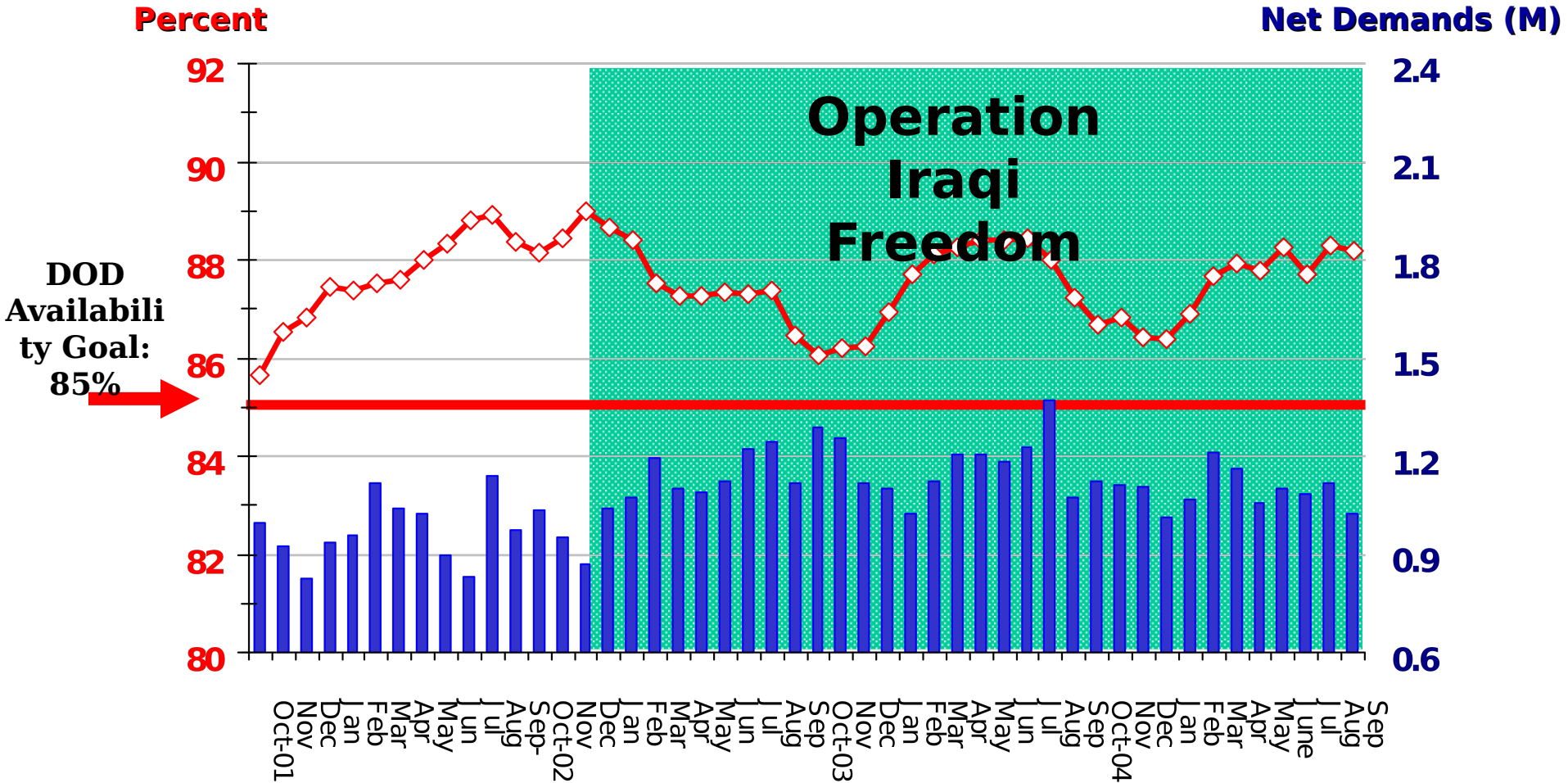
102 DLA personnel assigned to 71 Major Military Service Locations Globally

- DLA In-theater Commands provide Logistics Support to Combatant Commanders...
 - DLA-Central; DLA-Pacific; DLA-Europe
- DLA Liaison Officers and Customer Support Representatives embedded in Service and Combatant Commands Worldwide
- DLA Contingency Support Teams
 - Deploy as Requested by Combatant Commanders
 - Bosnia, Kosovo, Croatia, Kuwait, Iraq, and Afghanistan, over 90 personnel deployed to OIF/OEF
 - Provides On Site DLA Logistics, Asset Visibility Support, Fuels Management, and Disposal Services.
 - Support the Combatant Commands' In-theater Distribution Centers



Materiel Availability

Aviation, Land & Maritime

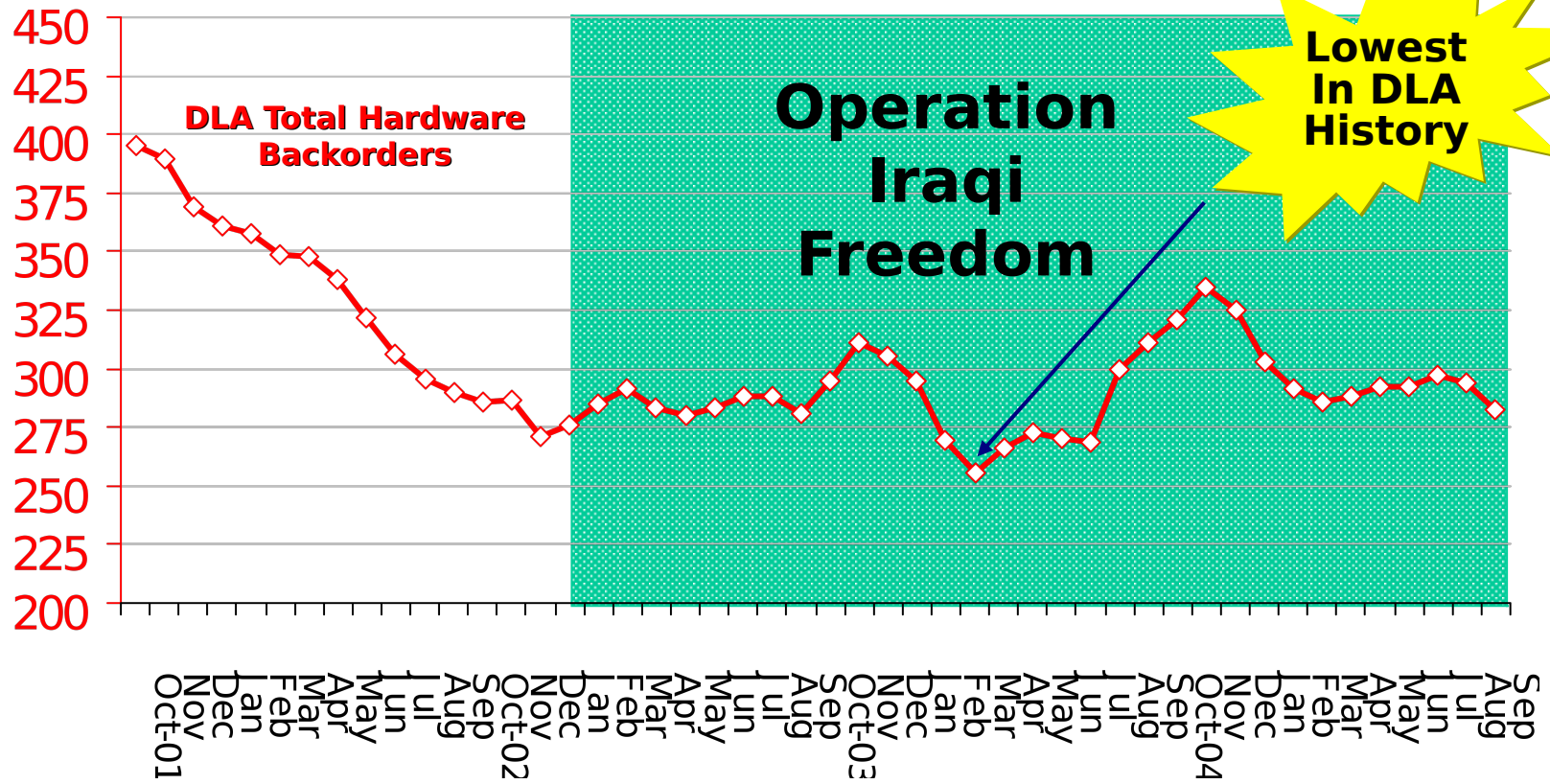




Backorders

Aviation, Land, Maritime

Thousands

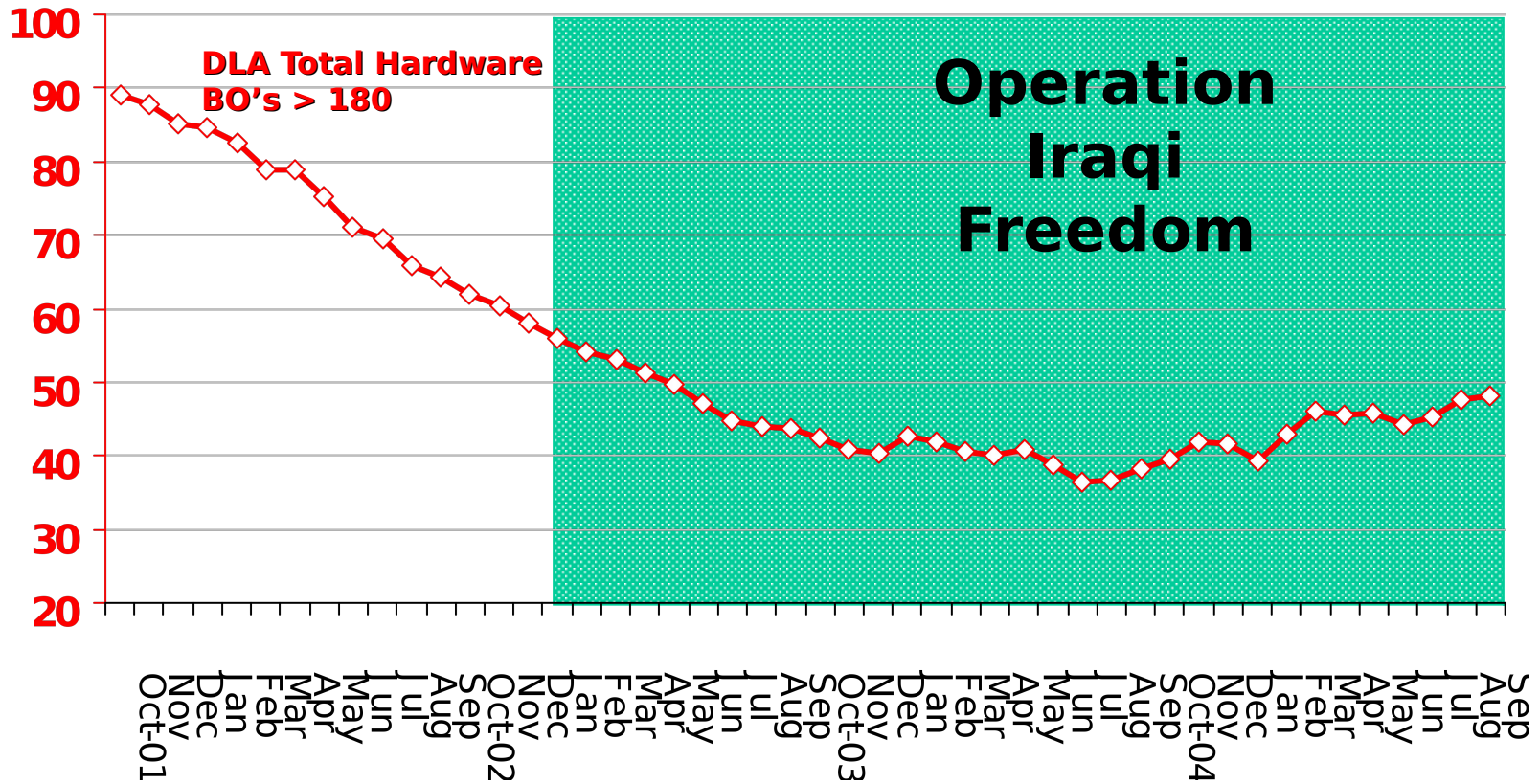




Backorders > 180 Days

Aviation, Land, Maritime

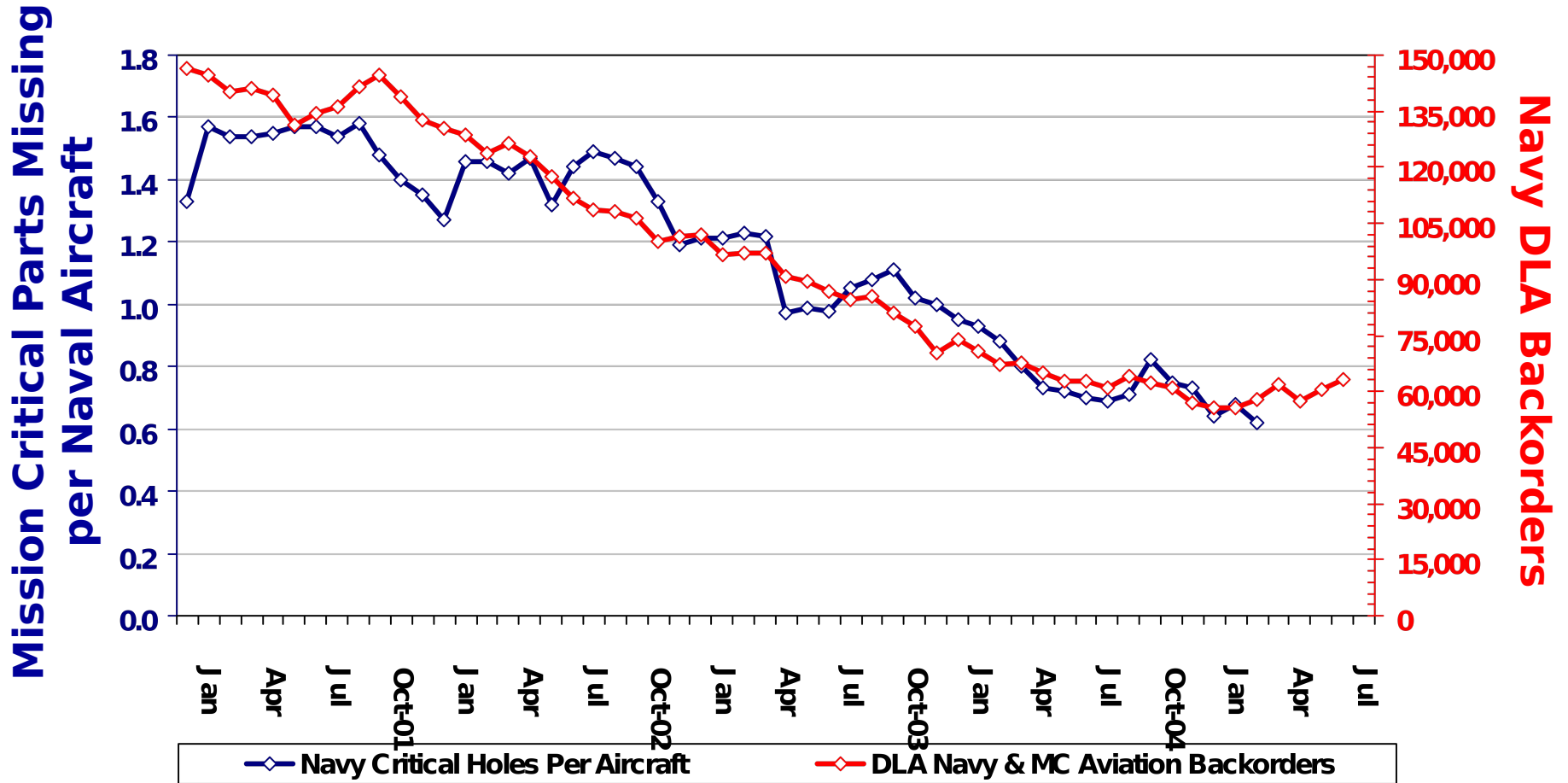
Thousands





Link to Navy Readiness

Total DLA Navy Backorders Relationship to Critical Parts Missing in Naval Aircraft



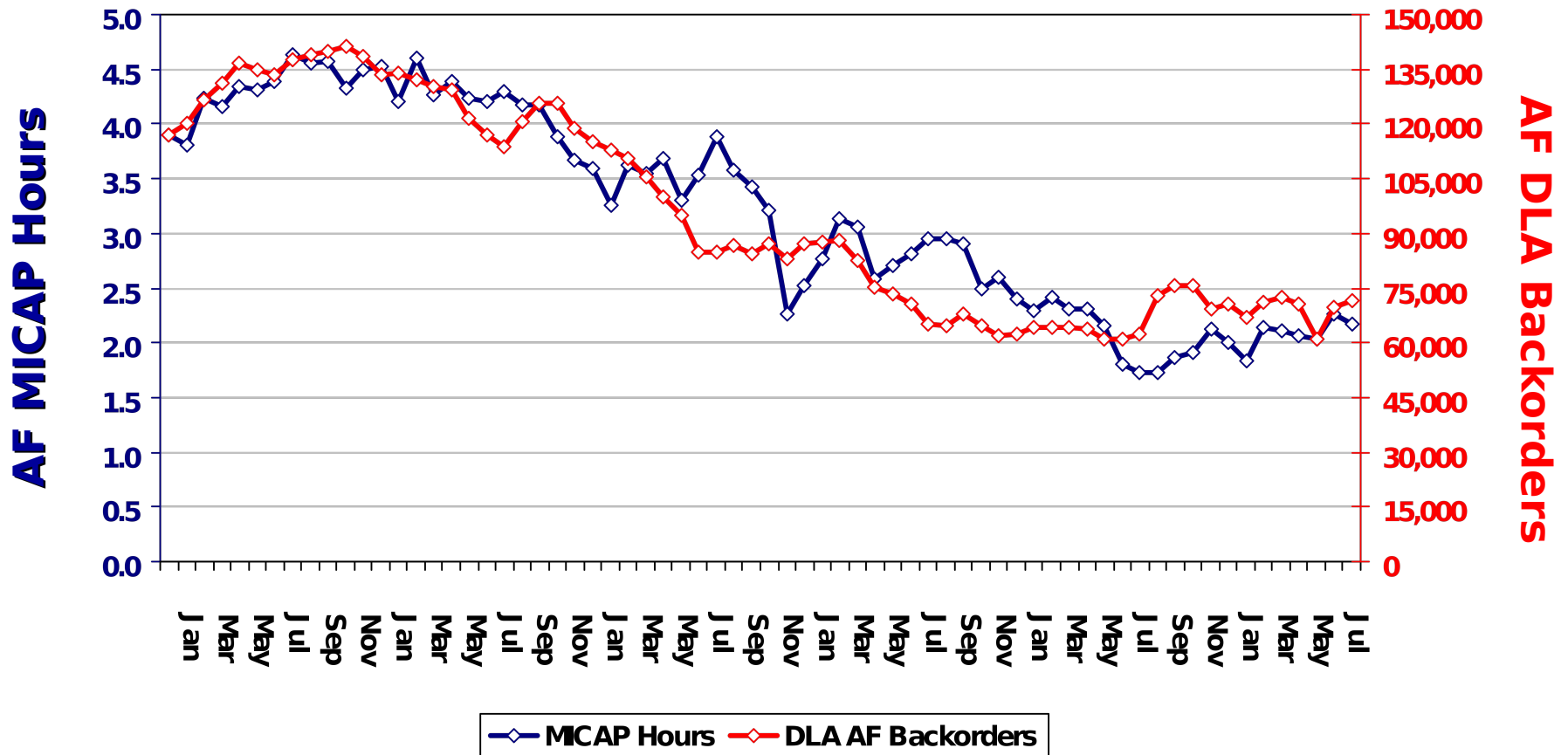
Data Source for Holes in Aircraft: Center for Naval Analysis (CNA) - POC Mr. Craig Goodwyn * A critical part is defined as a part causing a NMC or PMC aircraft

Data Source for Navy Backorders is DORRA - Ms. Celia Pinkston



Link to Air Force Readiness

Total DLA Air Force Backorders Relationship to MICAP Hours



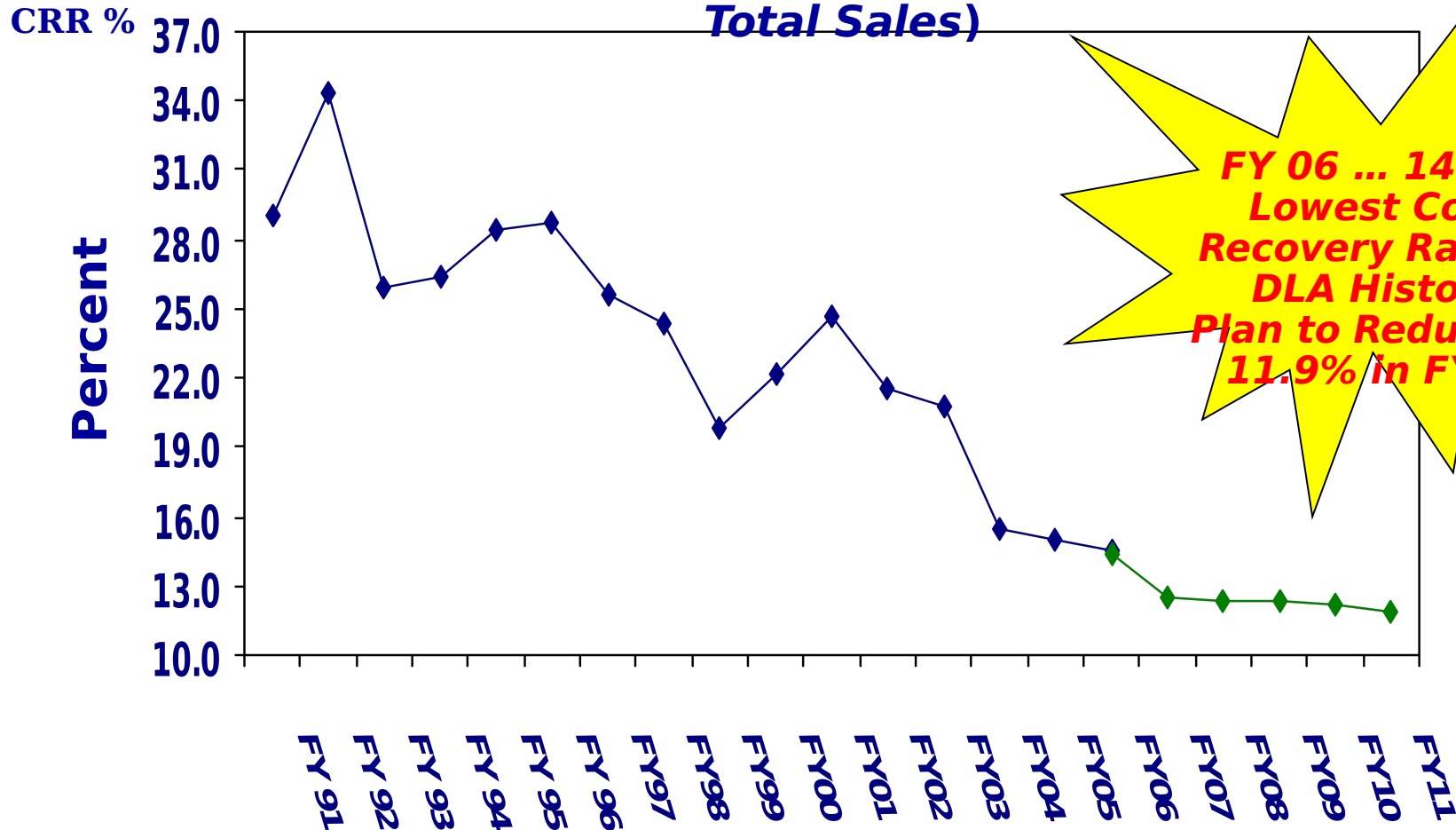
Data Source for AF MICAP Hours - DLA J-4, MSgt Nugent

Data Source for AF Weapons Systems Backorders - DLA J-4, Ms. Margaret Gandy



Cost Recovery Rates Over Time

(Operating Costs as a Percentage of Total Sales)



Savings For The War Fighter



Moving Towards Transformation

- Refined Goals and Metrics
- Instituted Robust Performance Reviews
- Focused on Backorder and Cost Reductions
- Streamlined Procurement Processes
- Fully Supported by DoD Leadership
 - Requirements Fully Funded



Transformation Key Initiatives

**\$4.8
Billion
Savings
for
Services**

- **Supplier Relationship Management - SRM**

- Strategic Material Sourcing for 500,000 business drivers
- Strategic Supplier Alliances with 29 critical suppliers

- **Distribution Planning Management System - DPMS**

- Robust material positioning & warehouse optimization
- Global decision making & management for 26 depots

- **Global Stock Positioning - GSP**

- Pre-positioning to optimize readiness at least cost
- OSD, Joint Staff, Service, TRANSCOM and DLA

- **Executive Agent - EA**

- DLA-Services partnership synchronize logistics for common materiel: fuel, medical, subsistence and construction

- **Integrated Data Environment - IDE**



Transformation Key Initiatives

- **Base Closure and Realignment - BRAC**

- DLR procurement and consumable item management to DLA; changes to DLA's distribution infrastructure; tires, compressed gases, packaged petroleum products to Direct Vendor Delivery
- \$5.5B Savings projected over 20 years

- **Business Systems Modernization -
BSM**

- End-to-end ERP
- Order fulfillment, Planning, Procurement, Financial

- **Customer Relationship Management -
CRM**

- Processes, tools and people to move from transaction-based to partner relationships

- **National Inventory Management
Strategy - NIMS**



Transformation Key Initiatives

- **Business Systems Modernization-Energy - BSM-E**
 - Commercial software - best practices
 - Deploying now - integration w/BSM to follow
- **Reutilization Modernization Program - RMP**
 - Redistribution of excess government property
 - Disposal of hazardous material and waste
 - Leverages capabilities of other transformation initiative
- **Work Force Transformation**
 - Transformation alters every facet of environment
 - Structure, rigor and disciplined program in place
- **Product Data Management - PDM**
 - Transforms Agency's Technical & Quality business processes and capabilities
 - Ensures engineering correctness in the products bought and managed by DLA



Supplier Relationship Management (SRM)

- **Strategic Material Sourcing (SMS)**
 - DLA manages 5.2 million items
 - ~500,000 items are the agency's major business drivers
 - Goal: assured availability, cost & quality for business drivers
- **Strategy**
 - Leverage competition
 - Develop long-term contracts
 - Establish prime vendor relationships
 - Establish corporate contracts
 - Buy capability rather than stock for surge requirements
 - Minimize procurement cost drivers

434,000+
Items Now
Managed
Under SMS



SRM (cont'd)

**27 of 29
SSA's In
Place**

- **Strategic Supplier Alliances (SSA)**
 - Partnering initiatives with 29 top suppliers that are the sole source for materiel critical to America's defense posture
 - Goal: assured availability, cost & quality for this critical materiel
- **Strategy**
 - Negotiated, signed agreements between DLA and suppliers to collaborate to pursue common objectives
 - Specific, quantifiable objectives - number of items managed under the SSA, Administrative Lead Time, Procurement Lead Time, Quality



Distribution Planning Management System (DPMS)

- **Transforming DLA's global warehousing functions with the ability to collect, assess and act on real time information re: materiel location and status**

- **First and second destination transportation optimization**

- **In Transit Asset Visibility**

- **in-bound shipments, direct delivery**

- **Standardized shipping documentation and labeling**

- **Web-based with real time access for shippers and customers**

- **Automated Advance Shipping Notices and Proof**



Global Stock Positioning (GSP)

PAST

- ICP-unique approach...no central strategy
- Vendor-centric stock positioning tendency
- Limited Service engagement

PRESENT

- Central strategy and business rules
 - DDC-led Stock Positioning II
- Focus shift to Service/Warfighter
- Services engaged

✓ **Strategic Distribution Platforms (SDP)**
✓ **4 New Forward Depots**

➤ **Sigonella, Kuwait, Guam, Korea**

FUTURE

• Enterprise Strategy: Global positioning in advance of requirement to increase mat'l availability/reduce wait time

- Increasing readiness while reducing cost
- "Facing Fill" Targets built into BSM business rules
- Hub and Spoke methodology
- Service/Warfighter-centric
- Services in partnership

✓ **Tailored stock profiles**
✓ **2 New SDPs**
✓ **DLA Afloat**
✓ **Deployable Depot**



Executive Agency (EA)

- **Designated by Secretary of Defense to serve as focal point for ensuring sustainable, efficient and effective support to the war fighter**
- **Assembles strategic, operational and tactical elements of supply chains to simultaneously engage across boundaries to identify/resolve challenges**
- **DLA currently EA for**
 - **Subsistence, bulk petroleum and medical materiel**
- **Expect EA designation this year for**



Integrated Data Environment (IDE)

- Will provide Supply Chain IT Linkages and single point of system access for:
 - DLA's internal processes
 - DoD-wide log data exchange & interoperability
 - Total Asset Visibility
- Assured access to:
 - Supply chain management data
 - Centrally managed metadata
 - Authoritative data sources
 - DoD logistics business rules
- Data interoperability within a Net-Centric Logistics Community of Interest
- Reduced system-to-system interfaces and cost associated with interface





Base Realignment and Closure

BRAC 2005

Recommendations, if approved, will deliver transformational change for the agency

NPV
\$1.9 B
Over 20
years

- All Depot Level Reparable procurement transitions to DLA

- The vast majority of consumable hardware items not managed by the agency today will transition to DLA

NPV
\$2.9 B
Over 20
years

- Three military Service Inventory Control Points close

- Management of repair depot supply operations transitions to DLA

NPV
\$.74 B
Over 20
years

- Two additional Strategic Distribution Platforms (SDP) created from existing Distribution Depots

- One Distribution Depots close

- Remaining Distribution Depots will provide only



Business Systems Modernization (BSM)

- **Enterprise Resource Planning (ERP) to manage the agency's 5.2 million items**
 - Replaces numerous '60s & '70s vintage systems with single, Commercial-Off-the-Shelf (COTS) system
 - Processes re-engineered to best practices
 - Cycle times dramatically reduced
 - Savings in inventory and personnel
 - payback period 2009
 - Improved war fighter support
 - Joint interoperability
 - Better Demand Forecasting - by customer - through collaboration
 - Improved data integrity
 - "Clean Financial Opinion" in accordance with CFO Act
- **Full-scale deployment underway...complete SEP 06**



**ERP...a critical
Supply Chain
Management
Enabler!**



Customer Relationship Management (CRM)

- **Customer Focus: War Fighter-centric strategies & tools and structured Service, Sales and Marketing processes to better meet these customers' expectations across the DLA Enterprise.**
 - **Service: Deliver on DLA commitments and provide timely and effective issue resolution.**
 - **Sales: Engage War Fighters regarding readiness and business value of DLA solutions.**
 - **Marketing: Reach out to understand War Fighter needs and communicate DLA capabilities.**

**Program Development well underway...
Full Operational Capability - FY08**



CRM (cont'd)

War Fighter Engagement

102 DLA personnel assigned to 71 Major Military Service Locations Globally

- **DLA In-theater Commands provide Logistics Support to Combatant Commanders...**
 - **DLA-Central; DLA-Pacific; DLA-Europe**
- **DLA Liaison Officers and Customer Support Representatives embedded in Service and Combatant Commands Worldwide**
- **DLA Contingency Support Teams**
 - **Deploy as Requested by Combatant Commanders**
 - **Bosnia, Kosovo, Croatia, Kuwait, Iraq, and Afghanistan, over 90 personnel deployed to OIF/OEF**
 - **Provides On Site DLA Logistics, Asset Visibility Support, Fuels Management, and Disposal Services.**
 - **Support the Combatant Commands' In-theater Distribution Centers**

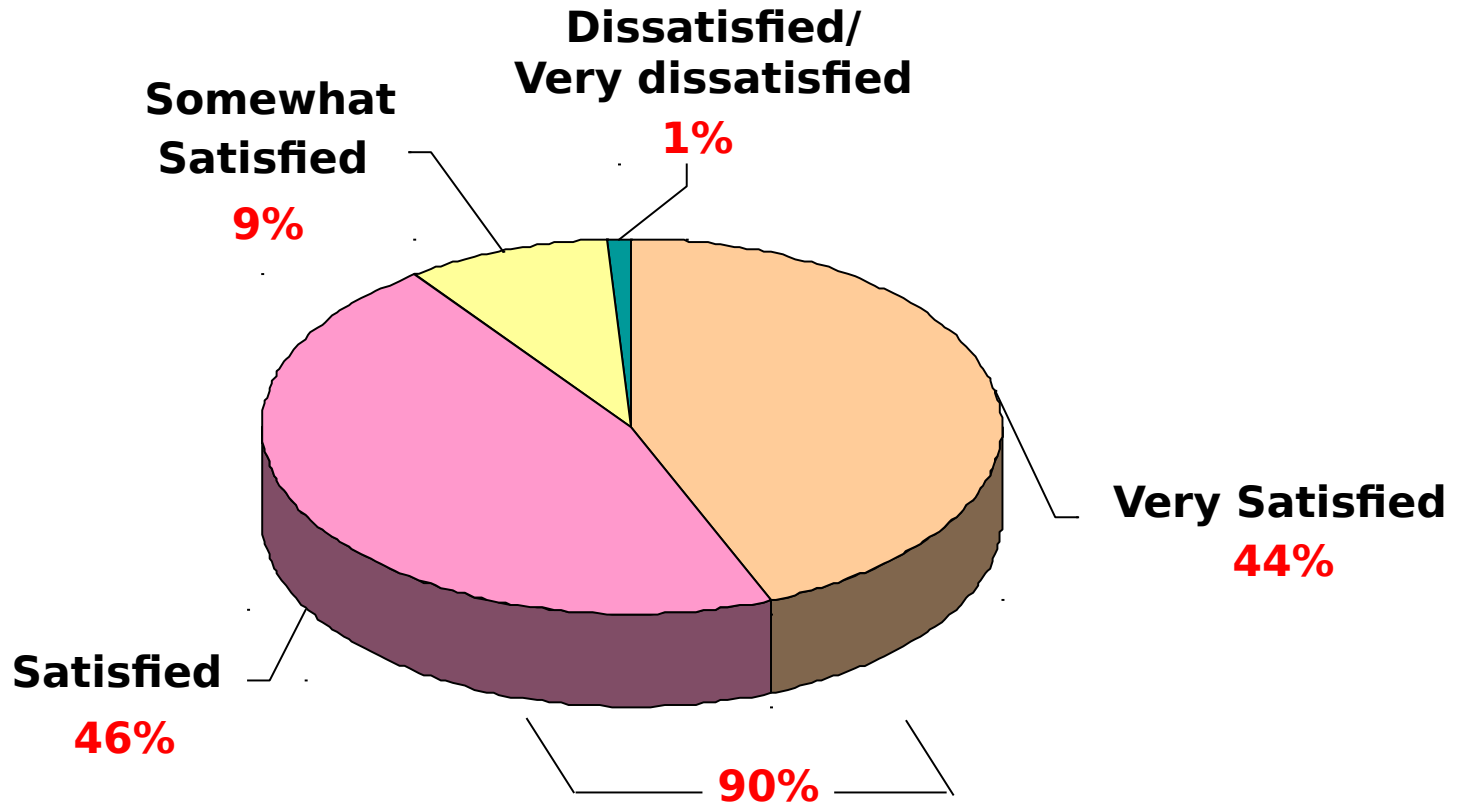


CRM (cont'd)

- **National Account Managers (NAM) for each of the four Services**
- **Customer Account Managers (CAM) for customer segments within Services**
- **Customer Service Reps (CSR)**
 - CSR is single POC for DLA Logistics at 71 major Service locations globally
- **Performance Based Agreements (PBA) with each of the four Services**
 - Establish Customer-focused performance metrics
 - Set Agenda for logistics initiatives
 - Partnership Council for continuous interaction



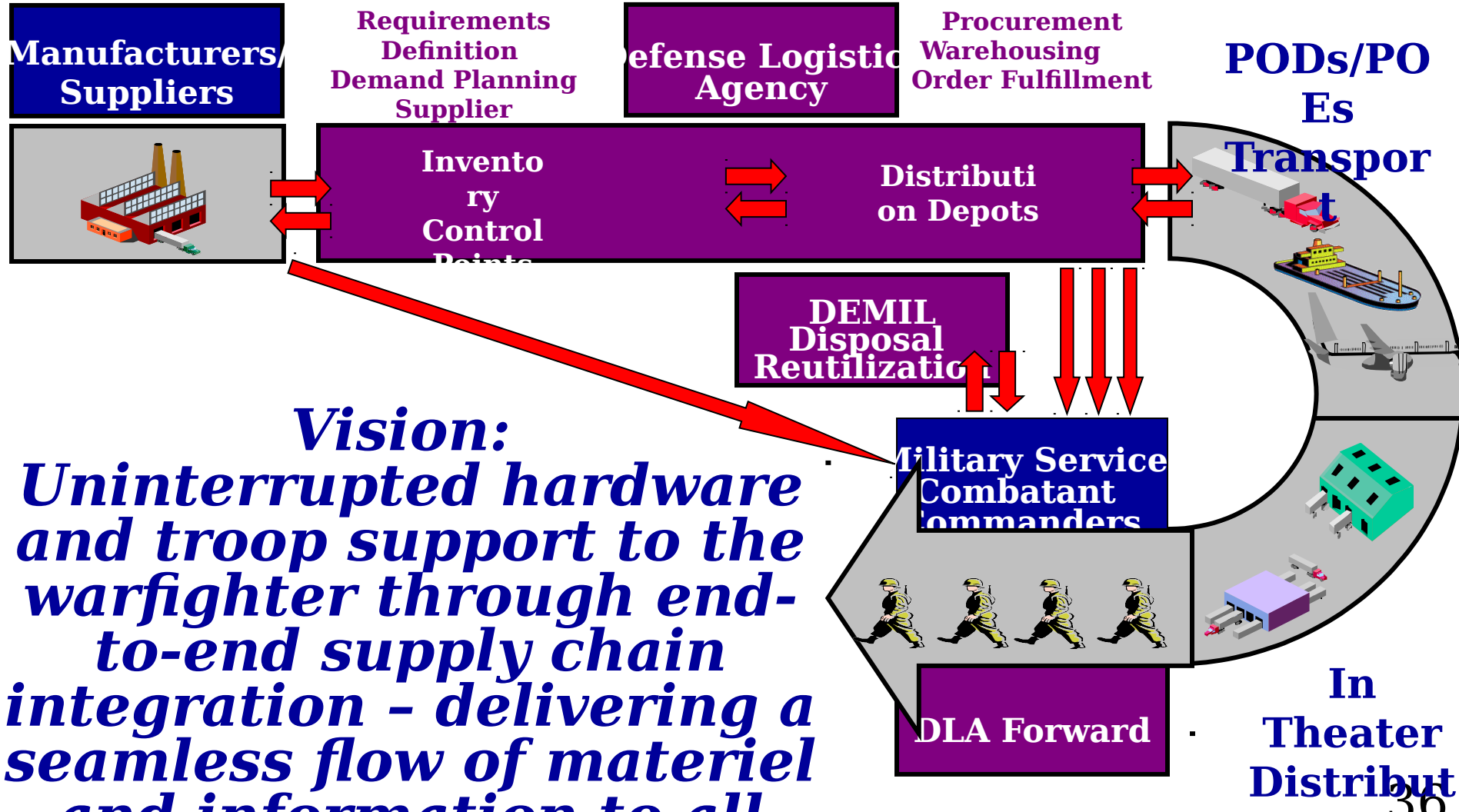
DLA Achieved Enterprise Strategic Objective of 90% Customer Satisfaction



Total Customer Satisfaction = "Overall, how satisfied are you with our products and services?"



Platform and Troop Support Supply Chains





Summary

- **Critical Combat Enabler ... Light and Agile**
- **Focused on Improved warfighter support and reduced costs**
 - 27% reduction in backorders and improved readiness (since Oct 01)
 - 51% decrease in cost recovery rates
 - \$4.8B back to services FY 04-09
- **Record Setting Support with Demand at Historic Highs**
- **DOD Leader In Enterprise System Transformation**

Tomorrow's vision ... smaller, more efficient, leveraged with best business practices